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FISCAL IMPACT STATEMENT

LS 7300

BILL NUMBER: HB 1330

NOTE PREPARED: Jan 6, 2003

BILL AMENDED:

SUBJECT: Prescription Drug Program Funding.

FIRST AUTHOR: Rep. Adams

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill requires the Lottery Commission to establish a \$2 instant win game for the benefit of the Prescription Drug Program. The bill also requires the Lottery Commission to transfer \$1 for each ticket sold to the Prescription Drug Account.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues: The bill could potentially yield \$2.75 M to \$3.25 M in annual revenue to the Prescription Drug Account based on average sales of \$2 instant tickets in FY 2002. However, sales totals for this new \$2 instant game may be less because prize pay-outs could potentially be lower for the new game than for other \$2 instant games. The lower prize pay-outs could occur because the bill requires 50% of the sales revenue from the new instant game (\$1 for each ticket sold) to be deposited into the Prescription Drug Account. Reportedly, ticket sales vary from one instant game to another based on potential prize pay-outs, play style, and theme of the game. For \$2 instant games, 62% to 63% of sales receipts are typically paid out to winners.

In addition, if consumers substitute the new instant game for other instant games operated by the Hoosier Lottery, this could have a marginal effect on surplus Lottery revenue available for the statutorily required transfers to the Teachers' Retirement Fund, the Pension Relief Fund, and the Build Indiana Fund. Presumably, the first full year of impact would be FY 2005, depending upon the length of time necessary for starting the new instant game.

Background: The bill requires the Lottery Commission to establish a \$2 instant lottery game for the Prescription Drug Program. Under the bill, \$1 from each ticket sold must be deposited in the Prescription Drug Account. During FY 2002, the Lottery Commission operated 27 \$2 instant games. Three of these games operated for the entire year. Mean sales for these three games totaled approximately \$6.5 M. However, sales for the three games ranged from about \$4.0 M to \$9.9 M. The remaining 24 \$2 instant games operated for less than 12 months during FY 2002. Estimated annual sales for 11 of these games that operated between 6 and 12 months during FY 2002 averaged about \$5.5 M, with a range of \$1.6 M to \$8.1 M. (This trimmed mean is used because the games usually have a novelty effect resulting in relatively high sales totals during the initial few months the game operates.)

Distribution of Surplus Lottery Revenue: Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to the Build Indiana Fund (BIF). The table below contains actual and projected surplus Lottery totals for FY 2001 to FY 2005.

Surplus Lottery Revenue & Distributions (in Millions)*

Revenues & Distributions	FY 2001 (Actual)	FY 2002 (Actual)	FY 2003 (Projected)	FY 2004 (Projected)	FY 2005 (Projected)
Surplus Lottery Revenue	\$160.0	\$166.1	\$166.1	\$166.1	\$166.1
TRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
PRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
Surplus Lottery Revenue to BIF	\$100.0	\$106.1	\$106.1	\$106.1	\$106.1

*Updated as of 10/18/02.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Lottery Commission, Indiana Prescription Drug Account.

Local Agencies Affected:

Information Sources: Nancy Dorsa, Indiana Lottery Commission, (317) 264-4970.

Fiscal Analyst: Jim Landers, 317-232-9869.